

GAO

Report to the Secretary
Department of the Interior

October 1986

SMALL BUSINESS ACT

Interior's Disadvantaged Business Advocate Reports to Proper Management Level



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**Resources, Community, and
Economic Development Division****B-222903.4**

October 17, 1986

The Honorable Donald P. Hodel
The Secretary of the Interior

Dear Mr. Secretary:

In letters dated January 14 and May 2, 1986, the Chairman, House Committee on Small Business, requested that we review 13 agencies to determine their compliance with Section 15(k) of the Small Business Act. In subsequent discussions, the Chairman's office defined the primary concern as the agencies' compliance with Section 15(k)(3). This subsection describes the required reporting level for each agency's Director, Office of Small and Disadvantaged Business Utilization (OSDBU). The Department of the Interior (Interior) was one of the departments selected.

Sections 15(k)(1) and (2) of the Small Business Act require each federal agency with procurement powers to establish an OSDBU and require that the agency head appoint a Director for this office. Section 15(k)(3) requires that the Director shall be responsible only to and report directly to the agency head or deputy. The remaining subsections in Section 15(k) describe the Director's duties and responsibilities.

The legislative history of Section 15(k) of the Small Business Act shows that the Congress intended to mandate a direct reporting relationship between the OSDBU Director and the agency head or deputy. A report by the Senate Select Committee on Small Business noted that, in the past, officials who were responsible for small business participation at federal agencies often did not hold high enough positions in the agency to be effective.

The purpose of Section 15(k)(3) is to provide the Director immediate access to the agency's top policymakers and thus maximize the Director's effectiveness as an advocate of small and disadvantaged businesses.

To determine if Interior was in compliance with the Small Business Act, Section 15(k)(3), we interviewed officials in the Department's General Counsel's Office and OSDBU and reviewed organizational charts, a description of the OSDBU Director's responsibilities, the Director's performance evaluation, and other documents describing the Office's establishment, mission, reporting level, and current operations. We also reviewed the Small Business Act and its legislative history. Our work

was performed in April and May 1986 at the Department's Washington, D.C., headquarters and was done in accordance with generally accepted government auditing standards.

Interior Is in Compliance With the Law

The Department's OSDBU was established on July 20, 1979, and is located in the Office of the Secretary. From the OSDBU's inception its Director has been responsible only to, and has reported directly to, the Under Secretary, who is the second highest departmental official. Therefore, we conclude that the Department is in compliance with the Small Business Act provisions concerning the OSDBU Director's required reporting level.

As requested by the Chairman's office, we did not obtain the Department's official comments on this report. However, we did discuss its contents and conclusion with the Director, OSDBU, who agreed that it fairly represents the conditions at Interior.

As arranged with the Chairman's office, we are sending copies of this report to the Chairman, House Committee on Small Business; the Director, Office of Management and Budget; and other interested parties upon request.

Sincerely yours,



J. Dexter Peach
Assistant Comptroller General

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